

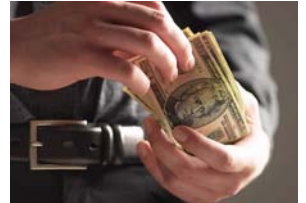
Retiring South Carolina's Public Workforce For Life

What Retired Members Should Know about Returning to Work



Financing Your Defined Benefit

- Your retirement plan is funded overall through employer contributions, employee contributions, and earnings on those contributions.
- Your member contributions do not even begin to finance your ultimate benefit. As a member, you are guaranteed a lifetime annuity based on a formula. This *formula* governs your benefit, **not** your contributions.
- The average member's contributions **plus interest** will usually be exhausted in a mere three and a half years of retirement.



No Earnings Limitation

- Service retirees of SCRS and PORS are allowed to return to work after retirement and draw an annuity with no earnings limitation.
- Many other public pension plans require that members forfeit their right to retirement benefits, limit members' earnings, and/or require members to again become active contributing members upon return to covered employment.

Employee Contributions

- One of the provisions of the State Retirement System Preservation and Investment Reform Act of 2005 (Act 153) requires retirees who return to work for an employer covered by the Retirement Systems to make employee contributions.
- The Legislature determined that the required additional funding of the retirement plans be shared by employers, active employees, and working retirees.
- Of those required to pay retirement contributions, working retirees received the most immediate benefit in the form of cost-of-living adjustments (COLAs).
- A working retiree is assured of getting back contributions made as a working retiree through either annuity payments to the retiree or annuity payments and/or a refund to the retiree's surviving beneficiary.



Public Policy Issues

- Securing pension plan funding and protecting retiree COLAs are issues for public policy debate.
- As of December 31, 2007, there were 113,616 South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) annuitants, 21,147 of which were working retirees (SCRS and PORS). At that time, working retirees comprised almost 10 percent of the public workforce. Active contributing members (219,414 for SCRS and PORS) made up about 90 percent.
- Some working retirees, including Teacher and Employee Retention Incentive (TERI) program participants, have sought exemption from the statutory requirement that all employees make employee contributions.
- Exemptions could be enacted through the legislative process but such legislation would need to provide an alternative funding source, perhaps by specifying

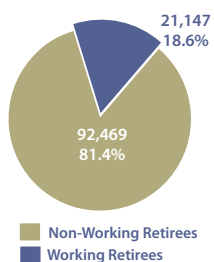
that additional contributions be borne by employers and/or active employees.

- Such exemptions could easily result in contribution increases of approximately half a percent for SCRS and PORS employers. In terms of appropriations from the general funds of the state, these costs are estimated at \$15 million annually. The total cost to public agency, school district, and local government employers would be significantly higher.
- Funding for any new guaranteed and/or future ad hoc retiree COLAs could result in additional contribution increases as well.

This document was prepared by the South Carolina Retirement Systems, a division of the State Budget and Control Board.

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Total Retired Membership



Total Public Workforce

